Expanding the Enlistment Bonus Program

At approximately $35,000 per additional high-quality recruit, expanding the cash enlistment bonus program compares favorably in cost-effectiveness with an increase in the recruiter force or with the continued use of VEAP with large kickers. 6/ Enlistment bonuses have proved useful (especially for the Army) because they not only increase high-quality recruit supply but also encourage recruits to serve in less desirable skills for longer enlistment periods. Cash enlistment bonuses have undoubtedly helped the Army to achieve a better balance between the combat and noncombat arms occupations with respect to recruit aptitude and education levels.

This cost-effectiveness estimate is subject, like the other estimates in this chapter, to qualification. CBO assumed that additional cash bonuses would be paid only to male high school graduates in above-average test categories. This assumption was made to facilitate consistent comparisons with the cost-effectiveness measures developed for the other programs. In practice, however, the Army pays an enlistment bonus for service in selected skills to both male and female high school graduates in the three highest test categories. Inclusion of these other populations raises the number of eligibles by about 75 percent and thus substantially reduces the cost-effectiveness of the cash bonus program for recruiting additional high-quality male recruits.

The Army already has an extensive and growing enlistment bonus program. Some might consider a further expansion of

---

6/ In developing the cost-effectiveness estimate for cash enlistment bonuses in Table 8, CBO estimated that a $3,000 cash bonus represents approximately a 10 percent increase in recruit compensation over the first-term enlistment, and that this would produce a corresponding 10 percent increase in high-quality recruit supply. Thus, an additional expenditure of approximately $110 million annually for cash enlistment bonuses paid only to Army male high-quality recruits would produce approximately a 10 percent (or about 3,200) increase in the supply of those Army recruits. This methodology is described in greater detail in Congressional Budget Office, Costs of Manning the Active-Duty Military (May 1980), Appendix A.

the program as tending to undermine the concept of selective application of the bonus. Under present policy, about one-fifth of Army recruits are receiving enlistment bonuses. 7/ Assuming that the current practice of paying comparable enlistment bonuses to both male and female high school graduates in the three highest test categories would be continued, the Army would probably have to pay an enlistment bonus to about half of all new recruits to achieve a 10 percent improvement in the supply of high-quality male recruits.

Increasing Basic Pay

An across-the-board pay raise would increase the number of high-quality recruits. CBO estimates that a 10 percent basic pay raise for Army enlisted personnel (in addition to the normal comparability increase) would produce an equivalent 10 percent increase in high-quality male recruits at a total cost of more than $200,000 each. 8/ This result suggests that, like some educational benefit proposals, the application of a pay raise to achieve a selective improvement in recruiting would not prove very cost-effective.

7/ In fiscal year 1981, for example, the Army spent about $57 million in providing 18,000 bonus payments (an average of $3,000 each) to high school graduates who scored in the three highest test categories and enlisted in selected occupations (primarily combat arms). For fiscal year 1982, the Congress approved $105 million (including funds for a Congressionally-mandated test program) in Army enlistment bonuses to provide more payments and a larger average amount (typically $4,000). For fiscal year 1983, the Army has requested $141 million to make approximately 26,000 bonus payments. While the projected number of payments differs little from fiscal year 1982, the average amount of each payment will apparently increase from $4,000 to $5,000.

8/ This calculation includes only the cost in Army enlisted basic pay and is not reduced by any potential savings in recruiting and training costs resulting from lower turnover. At current pay levels, a 10 percent Army enlisted basic pay raise would cost about $700 million. Of course, the Congress normally grants pay raises to both officers and enlisted personnel in all four services and includes increases in other forms of compensation such as housing allowances.

This high cost per additional high-quality recruit ($200,000) would be roughly the same whether or not the Army permitted the higher retention attributable to the pay raise. CBO estimates that these new recruits would stay in service about 20 percent longer. In the Army, for example, the average time in service for an enlisted person is about 5.8 years. This would jump to about seven years should the Army permit the increased retention to occur. While a more experienced force might improve defense readiness, it would also cost more. A 10 percent basic pay raise would cost approximately $700 million in Army enlisted basic pay at today's force levels and with today's experience mix. With the more senior force, however, the cost would rise to about $1.3 billion. Moreover, the higher retention would ultimately increase total Army enlisted retirement costs by at least as much. 9/ Thus, combining the added pay and retirement costs and allowing for the reduced recruiting requirement attributable to better retention, the cost per additional high-quality Army recruit would still amount to over $200,000.

Only Army enlisted basic pay has been used in this calculation, but an across-the-board pay raise would apply to both officer and enlisted personnel for all services (as well as the reserves). If non-Army improvements in force manning are disregarded, the total cost per additional Army recruit would be several times greater than indicated in Table 8.

The Need for an Appropriate Mix of Recruit Incentives

The previous discussion suggests that no single incentive or program can meet all of the recruiting needs of the services. The answer lies in a balanced mix of recruiting resources, incentives, and enlistment options that can appeal to a broad segment of the youth enlistment market.

In devising an appropriate mix, estimates of cost-effectiveness can be of use together with a knowledge of the practical

---

9/ CBO estimates that the steady-state undiscounted increase in Army enlisted retirement cost (in constant fiscal year 1983 dollars) would amount to about $1.4 billion annually. It would not, however, reach this steady-state condition for at least 30 years after implementation of the pay raise.

limits to which a program can be expanded. The data presented here strongly suggest that, if additional incentives are necessary to maintain or to increase high-quality enlistments, the Congress may wish to devote more resources to other recruiting methods before authorizing an across-the-board pay raise (beyond normal comparability raises) or enacting a large-scale noncontributory educational benefit.

REDUCING EDUCATIONAL BENEFIT COSTS THROUGH BETTER TARGETING

Should the Congress decide to implement a noncontributory program, it could reduce the costs by establishing more restrictive eligibility standards than were typical of the Vietnam-era GI Bill. Excluding officers, for example, on the grounds that a recruiting incentive for them is not necessary, would reduce costs for the three noncontributory options by about 15 percent. If the Congress was concerned only about Army enlisted recruiting, it could restrict the program accordingly and reduce costs by over one-half, although this might be seen as unfair to those not permitted to participate. 10/ This concern over equitable treatment for servicemembers underscores the difficulty of employing educational benefits as an effective recruiting device. If all military personnel were made eligible for the benefit, the program would not be competitive on a cost-effectiveness basis with other alternatives.

Finally, the near-term costs could be reduced by permitting only new recruits to participate in the program. The cost estimates developed in Chapter IV assume that all servicemembers

---

10/ In this regard, the Congress could enact some combination of Options I and II described in Chapter IV. The DoD could be granted the authority to pay the recruit's VEAP contribution and thus install a noncontributory VEAP with kickers equivalent to the benefit depicted in Option II. By restricting this option to Army high-quality recruits, continuing basic contributory VEAP without kickers for all other recruits, and including a 25 percent cash-out provision, the program's cost-effectiveness could be improved considerably. Instead of an estimated range of $120,000 to $200,000 per additional Army high-quality recruit for the noncontributory options (see Table 8), the cost per additional high-quality recruit for this combination of Options I and II could be as low as $70,000.

become eligible to participate in the program on the date of its enactment and, after completing the three additional years' service required, become vested in at least the minimum benefit. Costs in the early years of the program would be much lower if only new recruits subsequent to the date of enactment of the bill were eligible to participate. Steady-state costs would remain unchanged, however, and thus the long-run cost-effectiveness of the program would be the same.

INCLUSION OF THE RESERVES IN ANY NEW EDUCATIONAL BENEFIT OPTION

New Benefit Proposals

Seven of the thirteen educational benefit bills introduced during the 97th Congress include a separate program for the Selected Reserves. Interest in a reserve educational benefit program reflects the Congress' desire for equitable treatment of all military personnel and its concern over the decline in quality and size of the reserves (especially the Army Reserve and National Guard) since the advent of the all-volunteer force.

Recent difficulties in maintaining reserve strength can be traced in large part to the substantial number of first-term reserve servicemembers who were motivated to enlist by the draft and who subsequently separated during the latter part of the 1970s. While it has been difficult to replace these draft-motivated volunteers with high-quality recruits, retention in the reserves has steadily improved as proportionately more career-committed personnel have entered them. Little if any data exist to indicate how much a generous educational benefit might improve quality recruiting for the reserves, but, unlike the active force, members would not have to separate in order to make use of the benefits.

All of the proposed reserve programs permit servicemembers to earn benefits at a fraction of the active-duty rate for an equivalent time in service. Generally these bills specify that each year in the reserves earns about one-fourth the equivalent of the proposed active-duty educational benefit. Since reservists typically spend about one-fifth as much time in paid service as their active-duty counterparts over an initial six-year enlistment term, a fraction of one-fourth appears roughly equitable. While a more generous program might improve quality recruiting in the reserves, concern over equity may prevent the Congress

from enacting provisions that would be substantially different from those applying to the active force.

Enlistment Incentives Available in the Reserves

The Selected Reserves currently have in place a combination enlistment bonus/educational benefit package designed to attract high school graduates scoring in the upper three test categories. These benefits are available only for enlistment in critical skills. Since the Army Reserve and National Guard enlist about 85 percent of new reserve recruits, they are the predominant users of these incentives.

An eligible non-prior-service recruit can elect either a maximum $2,000 enlistment bonus or a tuition reimbursement plan for up to $4,000. If the recruit elects the enlistment bonus, one-half is paid upon completion of basic and initial skill training, one-quarter upon completion of the fourth year of service, and the balance between the first and last payments in a manner determined by DoD. If the recruit elects the educational benefit instead, tuition, books, and fee payments are reimbursed up to a maximum of $1,000 in each calendar year of service and $4,000 altogether. 11/

A combination enlistment bonus and educational benefit has been in effect since fiscal year 1979. During that year, only about 500 eligible recruits chose the educational benefit plan. The benefits then, however, were only half those available now. In fiscal year 1981, by contrast, 7,000 eligible recruits (primarily Army) chose the educational benefit and another 13,500 signed up for the enlistment bonus (including the $1,500 unit bonus). Together, these groups represented about 25 percent of the Army Guard and Reserve non-prior-service recruits enlisted during 1981.

Existing data do not indicate how many of these recruits were induced to enlist by the availability of the incentives. Thus the Congress may choose to await further evidence before embarking on a new program such as those recommended in the several educational benefit bills already introduced.

11/ In addition, a $1,500 enlistment bonus can be earned for service in high-priority units, usually those designated to deploy in the early stages of a mobilization.

THE EFFECT OF INTRODUCING A NEW PROPOSAL ON THOSE ALREADY VESTED IN THE VIETNAM-ERA GI BILL OR VEAP

The manpower and cost analyses discussed in Chapter IV did not take into account the costs and effects of the current educational benefit programs. The estimates in this report assume that all servicemembers (not just new recruits) who complete the required number of years' service would vest in the new benefit. Yet many of them (those with more than six years' active-duty service) have already earned Vietnam-era GI Bill benefits that they may find more generous than those of a new program. These may choose to train under the Vietnam-era GI Bill, thus reducing the near-term cost associated with any new proposal. However, the Vietnam-era GI Bill will terminate automatically at the end of 1989 unless the Congress takes legislative action to continue it.

The situation with VEAP is different. Except for those servicemembers who have earned a kicker, all who have contributed to VEAP would likely find any new program much more generous and, provided they met the service time eligibility requirement, would be likely to disenroll from VEAP and request a refund. Under current federal accounting standards, payments from the trust fund that holds a servicemember's contribution must be accounted for as an outlay against the government. The trust fund presently contains about $400 million in current and former servicemember contributions. If these personnel were permitted to switch over to a new program, the cost to the federal government could approach several hundred million dollars in refund payments. These outlays, however, would eventually be offset by reduced outlays for the government's share of VEAP.

Termination of the Vietnam-era GI Bill inevitably had an adverse affect on high-quality recruiting. Yet this termination may account for some of the increase in first-term reenlistment rates in the past three years because the incentive to separate no longer exists for personnel now reaching the first-term reenlistment point. Some more senior career servicemembers may, however, choose to separate to use their Vietnam-era GI Bill benefits before the program terminates in 1989. Over the past few years, numerous bills have been introduced to extend or eliminate the termination date. Available data do not permit an estimate of the effect such an extension would have on defense manpower and veteran education costs.

APPENDIXES

APPENDIX A. SUMMARY OF MILITARY EDUCATIONAL ASSISTANCE PROPOSALS

TABLE A-1. SUMMARY OF MILITARY EDUCATIONAL ASSISTANCE PROPOSALS a/

Proposal	Basic Benefit	Career Benefit	Transfer of Benefit	Reserve Benefit	Other Benefits
Montgomery H.R. 1400 (House Veterans' Affairs Committee)	Three (six) years' active service or two years' active and four years' Selected Reserve service after 9/30/81 earns 36 months' benefit paid at $300 ($600) monthly. DoD may add to monthly benefit for service in critical skills.	None, except for transfer rights.	Ten or more years' active service, three of which must be after 9/30/81, allows transfer of earned benefit to spouse and/or dependents. Transferor must be on active duty or retired while beneficiary(s) use benefit.	No benefit for those without previous active service.	For those on active duty, beyond first enlistment, up to two years' educational leave of absence with basic pay. For those with two or more years' active service beyond 9/30/81, in-service use of earned benefit.
Armstrong S. 25	Two years' active service after 12/31/80 earns 27 months' benefit at $250 monthly plus tuition reimbursed up to $3,000 for each of three academic years. Each month of active service beyond two years earns one additional month's maximum of 36 months.	Four or more years' active service, beyond initial two for basic benefit, allows service member to contribute $25-$100 monthly for up to 120 months to education fund matched two for one by DoD After two years' contribution, can withdraw up to $500 monthly for education purposes, until fund exhausted.	Once vested and eligible to withdraw career benefit, can transfer any portion to spouse and/or dependents. Basic benefit not transferable. Transferor must be on active duty or retired while beneficiary(s) use benefit.	Each four months' Selected Reserve duty earns one month's benefit (paid at active-duty rate) for up to 36 months' benefit.	For those on active duty, beyond first enlistment (or more than four years for officers), up to 12 months' leave of absence without basic pay. For those with two or more years' active service, in-service use of earned benefit.

(Continued)

TABLE A-1. (Continued)

Proposal	Basic Benefit	Career Benefit	Transfer of Benefit	Reserve Benefit	Other Benefits
Cohen S. 742 and Emery H.R. 2790	Two years' active enlisted service after 9/30/81 earns 18 months' benefit at current Vietnam-era GI Bill rate (now $342 per month); three years' active enlisted service earns 24 months' benefit and four years' earns maximum 36 months benefit.	Six years' service beyond 9/30/81 allows enlisted member to contribute $25-$100 monthly for up to 60 months to education fund, matched two (or more) for one by DoD. After 10 years' service, including two years as contributor, member can withdraw up to $500 monthly for education purposes until fund exhausted.	Once vested and eligible to withdraw career benefit, can transfer any portion to spouse and/or dependents.	Two years' enlisted Selected Reserve service earns nine months' benefit (paid at active-duty rate). Each additional three months' reserve duty earns one month's benefit. Cannot exceed 36 months' earned benefit.	For those who reenlisted after 9/30/81, up to 12 months' leave of absence without basic pay. For those enlisted with ten or more years' active service, two of which occurred after 9/30/81, in-service use of earned benefit.
Warner S.5 and Whitehurst H.R. 1206	For accessions entering DoD-selected skills after 9/30/81, three years' active service earns 18 months' benefit at $200 monthly plus tuition reimbursed up to $1,500 for each of two academic years. Four years' active and four years' reserve or six years' active service only earns 36 months'maximum benefit.	None, except for transfer rights.	16 or more years' active service on or after 9/30/81 permits transfer of any or all of earned benefit to spouse and/or dependents.	No benefit for those without previous active service.	None.

(Continued)

TABLE A-1. (Continued)

Proposal	Basic Benefit	Career Benefit	Transfer of Benefit	Reserve Benefit	Other Benefits
Pressler S. 26 (Educational benefit portion of bill only)	Any service member or veteran with two years' active service after 1/31/76 earns 24 months' benefit at current Vietnam-era GI Bill rate (now $342 per month). 45 months' service earns maximum 45 months' benefit. Service in DoD-selected skills after 9/30/81 can earn 1.5 months' benefit (maximum 45) for each month's service.	None, except for transfer rights.	Eight or more years' active service permits transfer of any or all of earned benefit to spouse and/or dependents.	Each month's active duty for training earns 1.5 months' benefit and each four months Selected Reserve service earns one month's benefit paid at Vietnam-era GI Bill rate. Maximum 36 months' benefit for minimum four years' Selected Reserve commitment.	Accelerated withdrawal of benefits permitted. Those eligible for other veteran educational assistance (Chapters 31 or 34), may receive not more than 64 months' total benefit. In-service use of earned benefit after six months' active or one year Selected Reserve service.
Cranston S. 417	Three years' active or two years' active and four years' Selected Reserve, service after 9/30/81 earns 36 months' benefit paid at $250 monthly. Each month's active service beyond period required for basic benefit earns $375 monthly supplemental benefit up to 36 months.	None, except for transfer rights.	Ten or more years' active service in DoD-selected skills permits transfer of any or all benefit to spouse and/or dependents.	No benefit for those without previous active service.	Earned basic and supplemental benefits can be paid out simultaneously, with supplemental paid at accelerated rate not to exceed $500 monthly. DoD can increase benefit amounts for service in selected skills.

(Continued)

TABLE A-1. (Continued)

Proposal	Basic Benefit	Career Benefit	Transfer of Benefit	Reserve Benefit	Other Benefits
Hunter H.R. 2399	Three (six) years' active service after date of bill's enactment earns 36 months' maximum benefit paid at $300 ($600) monthly.	None, except for transfer rights.	Ten or more years' active service on or after date of enactment permits transfer of any or all of earned benefit (or unearned if agrees to serve three [six] additional years) to spouse and/or dependents.	Two years' Selected Reserve service after date of bill's enactment earns 24 months' benefits paid at $150 monthly.	Monthly benefit indexed to annual increase in education cost. For those with one or more years active, in-service use of accrued benefit permitted.
Bennett H.R. 135	For accessions entering after 9/30/81, two years' active service earns 36 months' benefit at $300 monthly, plus tuition reimbursed up to $3,000 for each of four academic years.	None.	None.	No benefit for those without previous active service.	None.
Thurmond S. 7	Two years' active service after 9/30/81 earns 36 months' benefit paid at $400 monthly.	None, except for transfer rights.	Eight or more years' active duty, two of which must be after 9/30/81, allows transfer of earned benefit to spouse and/or dependents.	Four years' Selected Reserve service after 9/30/81 earns 36 months' benefit paid at $200. monthly.	None.

(Continued)

TABLE A-1. (Continued)

Proposal	Basic Benefit	Career Benefit	Transfer of Benefit	Reserve Benefit	Other Benefits
Mitchell H.R. 3340	For those enlisting or reenlisting after date of enactment, two years' active service earns 18 months' benefit at current Vietnam-era GI Bill rate (now $342 per month); three years' service earns 24 months' benefit and four years' earns maximum 36 months' benefit.	None.	None.	Two years' enlisted Selected Reserve earns nine months' benefit (paid at active-duty rate). Each additional three months' reserve duty earns one month's benefit. Cannot exceed 36 months' earned benefit. Must enlist for six-year term to be eligible for benefit.	In-service use of earned benefit. For enlisted who have reenlisted, up to 12 months' leave of absence without basic pay.
Lujan H.R. 3897 (As amended by staff)	Return to Vietnam-era GI Bill benefit levels for those serving after 9/30/81. Six months' active-duty service earns six months benefit. Each month active beyond six months' earns one additional month's benefit up to maximum 45 months'.	None.	Basic benefit not transferable.	None.	None.

a/ Unless specifically noted, bills apply to both enlisted and officer personnel.

APPENDIX B. THE ENLISTMENT APPEAL OF MILITARY EDUCATIONAL BENEFITS WITHIN THE CONTEXT OF FEDERAL POLICY TOWARD POSTSECONDARY STUDENT AID

Proponents of an improved military educational benefits program often assert that:

- Expansion of federal domestic student aid programs in recent years has made VEAP appear less attractive to youths seeking to further their education. According to Professor Charles Moskos, a well-known military sociologist, "In effect, we have created a GI Bill without the GI." 1/

- A more generous military educational benefits program could have strong enlistment appeal to college-bound youths, thereby improving both the quality and representativeness of military enlistments.

The data in this appendix suggest that, despite the expansion of federal student aid programs in recent years, the military does not appear to have lost any of its share of the youth population to postsecondary institutions. Moreover, while the growth of student aid programs may have made it easier to attend the more expensive schools, this appears not to be the determining factor in decisions whether or not to attend college; other, nonpecuniary factors tend to predominate. This suggests that military educational benefits are not likely to have much drawing power among the traditional college-going population.

THE CHANGING FEDERAL ROLE IN PROVIDING STUDENT AID

Enactment of the World War II GI Bill in 1944 established the federal government's role as a provider of student assistance.

1/ Statement of Charles C. Moskos, Jr., in First Concurrent Resolution on the Budget--Fiscal Year 1981, Hearings before the Senate Committee on the Budget, 96:2 (February and March 1980), vol. 1, p. 265.

For the next two decades, the GI Bill remained virtually the only source of direct federal assistance to postsecondary students. 2/ Passage of the Higher Education Act in 1965 paved the way for a significant expansion in student aid through a wide array of nonmilitary programs. The act offered assistance in the form of loans and grants, primarily to students who otherwise might be unable to attend their preferred college. In that same year, moreover, Social Security payments and payments under other income maintenance programs were extended to cover eligible families with dependents in college.

Over time, the Congress expanded the scope of domestic student aid programs to include middle-income students as well, culminating in the Middle Income Student Assistance Act of 1978. Not surprisingly, this expansion in student eligibility led to great increases in federal student subsidies, particularly in the volume of Guaranteed Student Loans (GSL). At the same time, the Congress also chose to lessen military educational benefits by eliminating Vietnam-era GI Bill benefits for new recruits in 1977 and substituting a much less generous contributory program.

Table B-1 highlights both the dramatic growth in federally sponsored domestic student aid and the diminishing role of the Vietnam-era GI Bill in recent years. In 1975, over 50 percent of all student aid for those attending postsecondary schools came from the Vietnam-era GI Bill. Under the Administration's plan for 1983, this will drop to just over 10 percent.

The turnaround in the growth of student aid is the result of recent and proposed legislation. The Congress has voted to phase out Social Security payments to student beneficiaries by July 1985. It has also tightened eligibility requirements for Pell Grants and guaranteed student loans. For fiscal year 1983, the Administration has proposed even further eligibility restrictions on Pell Grants, which should lower funding for the 1983-1984 school year to $1.4 billion compared to about $2.1 billion in 1981-1982. The Administration also proposes to drop graduate students from the guaranteed student loan program, these students have accounted for about 30 percent of all loan volume. (Graduate students would be permitted,

---

2/ In 1958, however, the Congress passed the National Defense Education Act to provide low-interest loans directly to students.

TABLE B-1. DISTRIBUTION OF FEDERAL STUDENT AID FUNDS (By fiscal year, in billions of dollars)

Student Aid	Actual 1975	Actual 1980	Actual 1981	Administration Plan 1982	Administration Plan 1983
Grants	0.9	2.6	2.5	2.3	2.1 a/
Loans (volume) b/	1.3	5.1	7.9	7.2	4.9 c/
College Work Study	0.3	0.6	0.6	0.5	0.4
OASDI Payments to Students d/	1.4	2.2	2.3 e/	1.9 f/	1.2 f/
Vietnam-Era GI Bill g/	4.2	2.0	2.0	1.6	1.3
Total	8.1	12.5	15.3	13.5	9.9

a/ Passage of Administration proposals to reduce the maximum annual Pell Grant award to $1,600 and to tighten eligibility requirements should bring the grant level down to about $1.4 billion in fiscal year 1984.

b/ Includes national direct student, guaranteed student, and parent loans through 1982. Fiscal year 1983 excludes any new NDSL funds as proposed by the Administration. Figures represent volume of new loans and thus exclude value of former loans or relending of NDSL funds formerly paid by students.

c/ CBO estimate based on Administration proposal to eliminate all National Direct Student Loans and Guaranteed Student Loans for graduate students (about 30 percent of GSL volume) and to allow these students to participate in the much more restrictive parent loan program. This CBO estimate also incorporates the Administration's proposal to require a needs analysis for all students, rather than just for students with parental income above $30,000 as under current law.

d/ Includes payments to 18-year-old high school students, estimated by CBO at about 18 percent of payments.

e/ CBO estimate, actual not yet available.

f/ This CBO estimate includes the effects on costs of eliminating new benefits to child beneficiaries after August 1982 and of phasing out the entire program by July 1985.

g/ Current law terminates this program for all training veterans on December 31, 1989.

however, to participate under the Auxilliary or Parent loan program. (To date, banks have expressed little interest in this loan guarantee program.) The Administration has also proposed a needs analysis test for all applicants for guaranteed student loans, whereas the current law applies this test only to students with a parental income above $30,000. Also, the Administration has not proposed any new funds for the National Direct Student Loan programs.

STUDENT SUBSIDY AND SCHOOL ATTENDANCE PATTERNS

Students Are Heavily Subsidized

The extent to which students are currently subsidized is quite striking. For example, aid in the form of grants and loans from federal, state, and local sources covers more than half of total postsecondary education costs for aid-recipient students from families with below-average incomes (see Table B-2), and more than 40 percent for students from families with above-average incomes 3/

For example, about two-thirds of postsecondary students from families with annual incomes below $15,000 receive aid, as compared to just over 40 percent of those from families with annual incomes above $35,000.

Attendance patterns by type of school appear to be related to the availability of substantial subsidies. Table B-3 shows that students whose school costs are heavily subsidized are more likely to attend four-year private schools than students with little or no subsidy available. This is true for all parental income

---

3/ "According to figures from the College Entrance Examination Board, the 'average' freshman in the fall of 1979 paid college costs totalling $2,485, with approximately 30 % of this amount from Federal student aid, 35 % from parents, 20 % from student earnings and savings, and 15 % from State, college, or other sources. During the 1980-81 academic year, it is conservatively estimated that at least 4 million of over 12 million students enrolled in the postsecondary sector were receiving some form of Federal student financial aid." Quoted from Congressional Research Service, Student Financial Assistance: FY82 Budget, Issue Brief IB81042 (March 1981, updated December 1981) p. 2.

TABLE B-2. PROPORTION OF POSTSECONDARY FULL-TIME EDUCATION COSTS SUBSIDIZED THROUGH FEDERAL, STATE, AND LOCAL GRANTS AND LOANS, BY PARENTAL INCOME OF STUDENTS, 1979-1980 (Base: students receiving aid)

	Below $15,000	$15,000 to $25,000	$25,000 to $35,000	Above $35,000
Mean Education Costs for Those Receiving Aid	$3,600	$4,000	$4,800	$5,400
Percent of Total Education Costs Subsidized by Grants and Loans	56	54	48	43

SOURCE: CBO tabulations of the 1979-1980 school year Student Survey Record Review Data Base compiled under contract with the Department of Education as part of "A Study of the Impact of Student Financial Aid Programs (SISFAP-III)." The data base consists of a mail survey of 20,000 students attending 172 preselected postsecondary institutions and information extracted from approximately 12,000 student financial aid records available at these institutions.

TABLE B-3. FULL-TIME SCHOOL ATTENDANCE PATTERNS AMONG STUDENTS WITH HEAVY-TO-MODERATE AND MODERATE-TO-LOW SUBSIDY LEVELS (In percents, by type of school attended)

Percent Attending	Private Four-Year	Public Four-Year	Public Two-Year or Proprietary	Total
One-Third or More of Total School Costs Subsidized	40	45	15	100
Less Than One-Third of Total School Costs Subsidized	26	46	28	100

SOURCE: Same as Table B-2.

groups. The data suggest that the availability and extent of student aid may affect school choices to a significant degree. 4/

School Attendance Rates Have Fallen

Despite the dramatic expansion in student aid programs over the decade of the 1970s, the proportion of high school graduates attending postsecondary institutions has declined in all income brackets (see Table B-4). In 1971, for example, slightly more than half of all 17- to 22-year-old male high school graduates were enrolled in postsecondary schools on a full-time basis. By 1979, the ratio had dropped to just under 40 percent. These data do not support the hypothesis that, in its efforts to recruit more qualified applicants for military service, the military has been edged out by postsecondary institutions. Nor do they imply that cuts in student aid would discourage large numbers of youths from attending college (or encourage them to enlist). Rather, the cuts would be more likely to affect the type and extent of college attendance (for example, shifting attendance from four-year private to four-year public institutions).

STABILITY OF CAREER PLANS AMONG HIGH SCHOOL SENIORS

Recent surveys show that career plans among high school students are quite firm so far as college attendance is concerned. For example, the National Longitudinal Survey of the High School Class of 1972 shows that more than 80 percent of males who planned to enter a four-year college in the fall of 1972 actually did so (see Table B-5). In sharp contrast, fewer than 24 percent of those who planned to enter military service after graduation actually enlisted. Admittedly, these data are less than conclusive since the fact that the draft was still in effect at the time. The 1980 Longitudinal Survey ("High School and Beyond") will show, when its results become available, the extent to which this pattern may have changed.

A more recent measure of youth career plans can be obtained from the Armed Services Vocational Aptitude Battery (ASVAB) test

---

4/ Since the amount of student aid is often tied to school costs, it is difficult to disentangle the independent effects of this aid on student behavior. Yet some relationship probably exists.

TABLE B-4. PERCENTAGE OF 17- TO 22-YEAR-OLD MALE HIGH SCHOOL GRADUATES ENROLLED IN SCHOOL AS MAJOR ACTIVITY (For selected years, by parental income)

Parental Income (in 1979 dollars)	1968-1969	1971	1974	1977	1979
Below $12,800	42	38	34	30	30
$12,800-$21,400	55	44	35	32	30
$21,401-$29,400	61	48	38	38	34
$29,401-$40,100	64	58	47	42	40
Above $40,100	77	69	61	58	60
All Income Levels	60	51	43	40	39

SOURCE: CBO tabulations of the annual October Current Population Surveys (CPS).

TABLE B-5. PERCENTAGE OF 1972 MALE HIGH SCHOOL SENIORS WHO FULFILLED ORIGINAL CAREER PLANS IMMEDIATELY AFTER GRADUATION AND WERE STILL IN THAT STATUS ONE YEAR LATER

Plans in Spring 1972	Percent Who Fulfilled Original Plan as of October 1972	Percent Who Continued with Original Plan as of October 1973
Military Service	24	18
Vocational/Technical School	43	20
Two-Year College	66	42
Four-Year College	80	65

SOURCE: National Longitudinal Survey of the High School Class of 1972. A new 1980 cohort of youths has been selected for study, but subsequent follow-up data on this cohort are unavailable.

(see Table B-6). Ten percent of the male high school seniors who took the ASVAB test during the 1976-1977 school year indicated they planned to enter military service after graduation. Another 30 percent said they intended to enroll in a four-year college, while 28 percent were undecided. A check of the military enlistment files one year later revealed that 60 percent of those who had planned to enter the military actually enlisted, while only 7 percent of those who had planned to attend a four-year college decided to enlist in the military instead. Only 18 percent of the undecided group chose to enter the military.

Overall, these data show that high school seniors intending to enter college are not likely to change their plans. Unlike the results from the 1972 National Longitudinal Survey given in Table B-4, however, these data also indicate that a much higher

TABLE B-6. COMPARISON OF CAREER PLANS AND ACTUAL ENLISTMENTS FOR MALE HIGH SCHOOL SENIORS TAKING THE ASVAB TEST DURING THE 1976-1977 SCHOOL YEAR

Career Plan	Percent Distribution of Test Takers by Career Plan	Percent in Each Career Plan Group Enlisting Within One Year
Military Service	10	60
Vocational/Technical School	8	11
Two-Year College	7	10
Four-Year College	30	7
Work	17	10
Undecided	28	18
Total Test Takers	100	16

SOURCE: Gus C. Lee, Evaluation of the DoD High School Testing Program, HumRRO, Final Report (January 1979), p. 49.

percentage of youths who plan to enter military service actually do so one year later. Again, this suggests that uncertainty over the status of the draft in 1972 may have affected the career intentions measured by the National Longitudinal Survey.

FUTURE POPULATION DECLINES

The decline in the youth population of prime enlistment age has been a source of continuing concern to the military. Table B-7 shows that while an overall decline of 15 percent can be anticipated over the next six years, the number of youths from lower- to middle-income families will decline less sharply than the number from families with above-average incomes. The military generally draws its recruits from the middle- to lower-income groups, while colleges draw much more heavily from the above-average income category. Thus the military will experience less of a decline in its enlistable population than the colleges, perhaps resulting in a more competitive environment for military and college recruiters.

TABLE B-7. PROJECTED POPULATION OF NINETEEN-YEAR-OLD MALES, BY FAMILY INCOME (In thousands)

Annual Family Income (in 1978 dollars)	1982	1983	1984	1985	1986	1987	Percentage Decline 1982-1987
Below $15,000	820	840	840	780	780	760	7
$15,000-$24,999	700	690	650	630	620	610	13
Above $25,999	590	560	500	490	440	430	27
Total	2,110	2,090	1,990	1,900	1,840	1,800	15

SOURCE: These data were produced by converting the 11- through 16-year-old male population counts by family income in the March 1979 Current Population Survey files into the projected proportion of 19-year-old males by family income. For example, the 1987 figure of 1,800,000 males aged 19 represents the actual population projected by the Census Bureau. See U.S. Bureau of the Census, Projections of the Population of the United States: 1977 to 2050, Series P-25, No. 704 (July 1977). This figure was then reapportioned by family income according to the population income stratification of 11-year-olds found in the March 1979 Current Population Survey.

○